

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

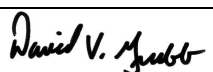
YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

**Tax Increment Finance  
Authority of the City of  
St. Clair Shores, Michigan**

---

**Financial Report  
June 30, 2006**

# **Tax Increment Finance Authority of the City of St. Clair Shores, Michigan**

---

## **Contents**

<b>Report Letter</b>	<b>I</b>
<b>Basic Financial Statements</b>	
Governmental Funds Balance Sheet/Statement of Net Assets	2
Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	3
Budgetary Comparison Statement - Governmental Fund	4
Notes to Financial Statements	5-8



Plante & Moran, PLLC  
Suite 300  
19176 Hall Road  
Clinton Township, MI 48038  
Tel: 586.416.4900  
Fax: 586.416.4901  
plantemoran.com

## Independent Auditor's Report

To the Board of Directors  
Tax Increment Finance Authority of the  
City of St. Clair Shores, Michigan

We have audited the accompanying basic financial statements of the Tax Increment Finance Authority of the City of St. Clair Shores, Michigan (a component unit of the City of St. Clair Shores, Michigan) as of June 30, 2006 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Tax Increment Finance Authority of the City of St. Clair Shores, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Tax Increment Finance Authority of the City of St. Clair Shores, Michigan as of June 30, 2006 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Tax Increment Finance Authority of the City of St. Clair Shores, Michigan has not presented a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the management's discussion and analysis is necessary to supplement, although is not required to be a part of, the basic financial statements.

*Plante & Moran, PLLC*

September 25, 2006

A member of



A worldwide association of independent accounting firms

# Tax Increment Finance Authority of the City of St. Clair Shores, Michigan

## Governmental Funds Balance Sheet/Statement of Net Assets June 30, 2006

	Governmental Fund	Adjustments (Note 1)	Statement of Net Assets
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 922,973	\$ -	\$ 922,973
Receivables - Due from other governmental units	712	-	712
Total assets	<u><b>\$ 923,685</b></u>	-	923,685
<b>Liabilities</b>			
Accounts payable	\$ 75,616	-	75,616
Accrued interest payable	-	20,642	20,642
Noncurrent liabilities (Note 4):			
Due within one year	-	285,000	285,000
Due in more than one year	-	1,835,000	1,835,000
Total liabilities	75,616	<u>2,140,642</u>	<u>2,216,258</u>
<b>Fund Balance/Net Assets</b> - Fund balance - Unreserved/ Net assets (deficit) - Unrestricted	<u>848,069</u>	<u><b>\$ (2,140,642)</b></u>	<u><b>\$ (1,292,573)</b></u>
Total liabilities and fund balance	<u><b>\$ 923,685</b></u>		

# Tax Increment Finance Authority of the City of St. Clair Shores, Michigan

## Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2006

	Governmental Fund	Adjustments (Note I)	Statement of Activities
<b>Revenues</b>			
Property taxes	\$ 795,469	\$ -	\$ 795,469
Interest	26,593	-	26,593
Total revenues	822,062	-	822,062
<b>Expenditures</b>			
Professional services	91,882	-	91,882
Administration	50,000	-	50,000
Repairs and maintenance	12,355	-	12,355
Blossom Heath Park	29,344	-	29,344
Council specific projects	120,000	-	120,000
Other	10,348	-	10,348
Debt service:			
Principal	245,000	(245,000)	-
Interest	112,788	2,102	114,890
Total expenditures	671,717	(242,898)	428,819
<b>Excess of Revenues Over Expenditures/ Change in Net Assets</b>	150,345	242,898	393,243
<b>Fund Balance/Net Assets (Deficit) - Beginning of year</b>	697,724	(2,383,540)	(1,685,816)
<b>Fund Balance/Net Assets (Deficit) - End of year</b>	<u>\$ 848,069</u>	<u>\$ (2,140,642)</u>	<u>\$ (1,292,573)</u>

# Tax Increment Finance Authority of the City of St. Clair Shores, Michigan

## Budgetary Comparison Statement Governmental Fund Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 714,000	\$ 815,000	\$ 795,469	\$ (19,531)
Interest	<u>3,000</u>	<u>3,000</u>	<u>26,593</u>	<u>23,593</u>
Total revenues	717,000	818,000	822,062	4,062
<b>Expenditures</b>				
Professional services	30,000	70,000	91,882	(21,882)
Administration	50,000	50,000	50,000	-
Repairs and maintenance	17,000	17,000	12,355	4,645
Blossom Heath Park	30,000	30,000	29,344	656
Watermain project	20,000	-	-	-
Streetscape project	-	24,000	-	24,000
New development	10,000	10,000	-	10,000
Council specific projects	120,000	120,000	120,000	-
Other	17,500	17,500	10,348	7,152
Debt service:				
Principal	245,000	245,000	245,000	-
Interest	<u>113,000</u>	<u>113,000</u>	<u>112,788</u>	<u>212</u>
Total expenditures	<u>652,500</u>	<u>696,500</u>	<u>671,717</u>	<u>24,783</u>
<b>Excess of Revenues Over Expenditures</b>	64,500	121,500	150,345	28,845
<b>Fund Balance - Beginning of year</b>	<u>697,724</u>	<u>697,724</u>	<u>697,724</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 762,224</b></u>	<u><b>\$ 819,224</b></u>	<u><b>\$ 848,069</b></u>	<u><b>\$ 28,845</b></u>

# **Tax Increment Finance Authority of the City of St. Clair Shores, Michigan**

---

**Notes to Financial Statements  
June 30, 2006**

## **Note I - Significant Accounting Policies**

The Tax Increment Finance Authority of the City of St. Clair Shores, Michigan (TIFA) is organized pursuant to Michigan Public Act No. 450 of 1980. The primary purpose of TIFA is to encourage economic activity in the City of St. Clair Shores, Michigan (the "City"). This purpose is accomplished by TIFA collecting captured property taxes in accordance with state law and budgeting expenditures for improvements in TIFA district boundaries. TIFA's governing body, consisting of 13 individuals, is appointed by the City Council.

TIFA's basic financial statements present combined governmental fund modified accrual financial statements and government-wide full accrual financial statements. As of and for the year ended June 30, 2006, adjustments were made to the amounts in the governmental fund for long-term debt and related accrued interest in order to arrive at the government-wide full accrual financial statements. TIFA has elected not to present a management's discussion and analysis.

TIFA is a component unit of the City of St. Clair Shores, Michigan and is included in the basic financial statements of the City at June 30, 2006 as a discretely presented component unit.

### **Basis of Accounting**

The accounting policies of TIFA conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. There are no component units required to be included in these financial statements.

The following is a summary of the significant accounting policies:

The government-wide full accrual financial statements (the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. For the purpose of the government-wide financial statements, TIFA reports a liability for the outstanding 1997 Tax Increment Bonds which will be repaid through captured property taxes in future periods. A significant portion of TIFA's activities in previous years related to investments in infrastructure that are the property of and are reported as an asset in the basic financial statements of the City of St. Clair Shores, Michigan rather than in TIFA's financial statements.



# **Tax Increment Finance Authority of the City of St. Clair Shores, Michigan**

---

## **Notes to Financial Statements June 30, 2006**

### **Note 1 - Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

### **Note 2 - Budget Information**

The annual budget is prepared and adopted by the TIFA board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2006 has not been calculated. During the year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a total expenditure basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the TIFA board is included in the basic financial statements. This statement is presented on a line-item basis for informational purposes.

**Deficit** - On the government-wide financial statements, TIFA has negative net assets as of June 30, 2006 due to the reporting of a bond payable obligation. The fund-based financial statements, presented on a modified accrual basis, have positive fund balance at June 30, 2006.

# Tax Increment Finance Authority of the City of St. Clair Shores, Michigan

## Notes to Financial Statements June 30, 2006

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes TIFA to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. TIFA is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. TIFA has designated three banks for the deposit of its funds. TIFA's deposits and investment policies are in accordance with statutory authority.

TIFA's deposits are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, TIFA's deposits may not be returned to it. At year end, TIFA had approximately \$406,000 of bank deposits (checking accounts) that were uninsured and uncollateralized. TIFA believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, TIFA evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable risk level are used as depositories.

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. TIFA has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank Investment Pool	\$ 415,707	AAA	Standard & Poor's

### Note 4 - Long-term Debt

Long-term debt consists of the 1997 Tax Increment Bonds with interest rates ranging from 4.70 percent to 5.25 percent and maturing through 2012. The original issue amount of the 1997 Tax Increment Bonds was \$3,500,000.

# Tax Increment Finance Authority of the City of St. Clair Shores, Michigan

## Notes to Financial Statements June 30, 2006

### Note 4 - Long-term Debt (Continued)

The following is a summary of long-term debt transactions for the year ended June 30, 2006:

Balance - July 1, 2005	\$ 2,365,000
Debt retired	<u>(245,000)</u>
Balance - June 30, 2006	<u>\$ 2,120,000</u>

The annual requirements to service the outstanding debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 285,000	\$ 99,996	\$ 384,996
2008	315,000	85,368	400,368
2009	335,000	69,359	404,359
2010	375,000	51,599	426,599
2011	395,000	31,959	426,959
2012	<u>415,000</u>	<u>10,894</u>	<u>425,894</u>
Total	<u>\$ 2,120,000</u>	<u>\$ 349,175</u>	<u>\$ 2,469,175</u>